

**SEC49-B**

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THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of: )

)

KIK INTERACTIVE ) File No. HO-13388-A

SUBJECT: NYC Ethereum Cryptocurrency Consumer Media

September 7, 2017

PAGES: 1 through 76

AUDIO TRANSCRIPTION

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## PROCEEDINGS

MICHAEL: Good evening, good evening, everybody. We're going to get started in a few minutes here, so if you want to find a place to get settled.

Wow, so this is amazing. This, Spotify. Thank you so much, Jesse, and everyone at Spotify for hosting New York City Ethereum.

We're going to have an event tonight discussing media and the blockchain, and what better place to be than Spotify for that.

So first, we're going to have Doug from Live Peer talk about decentralized live video built on a blockchain. So go ahead, Doug.

MR. FUCANIX: Testing. All right, thank you, Michael. Thanks, everyone, for coming out tonight and thanks Spotify for hosting.

So do we have the presentation on the screen? Perfect. Okay, so as Michael mentioned, I'm Doug Fucanix (phonetic). I'm one of the founders of a project called Live Peer. My co-founder Eric is here and our teammates Lucy and Yannin, as well.

We're working on building the decentralized livestreaming layer in the Web Three stack, the decentralized Internet stack.

So live streaming is focused on video

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the Live Peer network, or any hosted web player that could play it.

And anyone can basically using that ID access your stream in a peer-to-peer way, delivered by peers on the Live Peer network, without trusting any centralized video service provider, any centralized platform like Facebook or YouTube. It really gives you the freedom to distribute video using this network of infrastructure.

So now we can talk a little bit about, you know, why would we do that? What's the point of decentralizing live streaming?

And first of all, in the decentralized stack, we have layers for things like payments with bitcoin, Ethereum.

We have a layer for things like, storage, like, file coin, swarm, IPFS. We have layers for identity, layers for naming. There's no layer for live media yet.

And so if you're building a decentralized app or a dap, and you want to include video, or live audio, or screen share, or streaming data, there's no infrastructure yet.

And that's really what we're building. We're building the infrastructure layer to power all of that.

But I'm also really excited about the applications and use cases that can be built on top of

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broadcasting, audio broadcasting, data streaming. And I actually want to start out with something a little dangerous and risky, which is a live demo of live streaming.

So I'm going to jump out of the presentation, kind of show you what we've built here and jump over to the command line terminal.

And what I'm going to do is I'm going to start a Live Peer node. This is the same way you'd start an Ethereum node, or a bitcoin node. It's going to connect to all the different peers on the Live Peer network.

Looks like Spotify's Internet might be blocking me here. We'll give it one more try. Guessing it might not work if we have to connect to the boot net.

Ah, that's too bad. All right, no demo for you guys. So we're going to cut back to the presentation and just show screenshots of live streaming in action.

Basically, what I was going to show is it will start a node. It will connect to other nodes on the peer-to-peer network.

You can broadcast into Live Peer, using any existing broadcasting tool, like, OBS, any DAP that's built integrates with broadcasting.

And then what you'll get back is you'll get back an ID. And that ID can be shared to anyone else on

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live video in a decentralized way with crypto payments baked in.

One of the most important ones is censorship resistance in the cases of journalism. We take for granted all the freedom we have here in the United States. But in other places, a lot of times, live media, kind of the truth of what's going on in the ground in a conflict zone, or an area with greater oppression is one of the first things to be censored or cut off by the powers that be.

When you do this peer-to-peer in a decentralized way, you can do it in much more censorship resistant ways that are harder to censor and shut down. So it's really powerful.

I'm also excited about embedding economics into applications to let people monetize their time, participate in a world economy through live Internet sessions.

This enables things like expert networks, being able to monetize your time through entertainment, through education, like, teaching course.

Micro payments, crypto transactions, baked in for your content can be really empowering. Right now people either have to pay centralized providers a lot to build their own services.

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1 Or they have to use free providers like  
2 Facebook and YouTube that basically monetize their  
3 audience through advertising and through selling their  
4 data.

5 And they make it hard for creators to kind of  
6 fairly be compensated for their content. Here the power  
7 is with you and you can build whatever you want and  
8 broadcast whatever you want.

9 So kind of at the bottom, instead of closed  
10 proprietary and expensive, we believe we can enable  
11 empowerment and freedom through live streaming.

12 There's also economic benefits that you see  
13 through token protocols. Live Peer is a crypto token  
14 protocol.

15 And that means if you run a Live Peer node, if  
16 you contribute your CPU and your bandwidth to encoding  
17 and distributing video, you can earn token.

18 And just like in bitcoin with mining or file  
19 coin with providing, you know, storage to the network and  
20 mining, these market protocols have a powerful economic  
21 effect.

22 Basically, in a centralized network, there's a  
23 cost of service, and the provider has to charge you at  
24 least that cost, plus a margin.

25 A decentralized network like this, you have the

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1 running on all of the nodes that joint the live peer  
2 network.

3 And we need those nodes to form a content  
4 delivery network to serve the video to millions of people  
5 who are watching.

6 So what we've done is we've written an open-  
7 source media service called Live Peer media server. It  
8 does all the things that we just skipped through that a  
9 media server needs to do, which can be summarized as  
10 transcoding -- taking your video, converting them to 24  
11 different encodings, formats, and bit rates to work on  
12 all the different devices and all the different  
13 connection speeds.

14 Because a person watching on a 4K TV in ultra  
15 HD is seeing a different stream than the person watching  
16 on their phone on a 3G connection.

17 And so Live Peer media server is running on a  
18 node. It will handle all this for you. And that's what  
19 you're basically incentivized to do. That's what you're  
20 earning token for is running this.

21 So the problem is if you all of you are running  
22 this media server on your laptop, but you're powering  
23 live streams, that's really risky.

24 Because if you close your laptop, you go  
25 offline, you don't have enough bandwidth, you could

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1 same cost of service. But because the people providing  
2 the value are earning some newly minted token, by mining  
3 essentially, the value of that can offset what they need  
4 to charge you in fees.

5 So that can create a cheaper system at scale,  
6 which brings broadcasters, creates demand for the  
7 network, creates utility.

8 And the competition that you see to basically  
9 compete to earn this token leads to more bandwidth, more  
10 CPU coming onto the network, costs going down for  
11 broadcasters.

12 And it creates a flywheel which is really  
13 powerful. So even, you know, existing broadcasters can  
14 benefit from a decentralized network through the economic  
15 opportunity.

16 So I mentioned that you have an incentive to  
17 join the network and run nodes through crypto token  
18 protocol. But how do we decentralize this? What are you  
19 running when you're running node?

20 This is a look at the kind of centralized live  
21 media stack a broadcaster sends video to a media server.  
22 It goes to a CDN to distribute it. And then it goes to  
23 a player on TVs, smart phones, laptops, et cetera.

24 What we need to do is decentralize this. We  
25 need to take the media server, and we need it to be

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1 interrupt someone else's stream.

2 So I'll kind of gloss over the Live Peer  
3 protocol. We address the same questions that's in our  
4 white paper.

5 But the way we let everyone participate and  
6 everyone earn token is by participating in -- what's  
7 called a delegated proof of stake protocol.

8 Candidate transcoders advertise the fees  
9 they're charging, the fees they're willing to share back  
10 to you for delegating, and their statistics about how  
11 well they've performed in the past.

12 And you can basically stake or bond your tokens  
13 to delegate towards them and elect them. You say they're  
14 going to do a great job for the network, and therefore,  
15 you will earn a nice return on this stake.

16 And you elect people who will provide the best  
17 quality of service. So we have the proof of stake  
18 protocol that lets people participate in this.

19 And then once we know who the transcoders are  
20 going to be, the next challenge that we have to solve was  
21 to basically create the right enforcement to make sure  
22 that they're encoding your video correctly, and they're  
23 not inserting any malicious content into the middle of  
24 your live stream as they're doing the work.

25 So again, we designed a protocol that can do

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1 kind of scalable verification of work on top of a  
2 protocol called True Bit.

3 I don't know if any of you have heard of True  
4 Bit before, but it's an amazing thing you should look  
5 into.

6 It basically lets you do off-chain computation  
7 and trust the result back on the blockchain in a  
8 decentralized, trustless way.

9 And we've built kind of a scalable solution on  
10 top of that that will let us do this at cost. Basically,  
11 encoders will just commit to the work that they've done  
12 once they've done their job on chain.

13 Some of it will get challenged. And if they  
14 did it correctly, they'll receive payment. If they  
15 didn't, they'll get penalized. And everyone who  
16 delegated towards them will get penalized, as well.

17 So it can come back to this in questions if  
18 anyone wants to dig in or address it after.

19 The last thing technical that I want to mention  
20 is the CDN piece. Some of you may have heard of a  
21 project called Swarm.

22 It's kind of Ethereum's file storage network  
23 and it's a CDN for static content. We've extended it to  
24 support live content and live streaming.

25 We also have a back end that works on the P to

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1 oh, nice, Eric got the node running.

2 So he started our node. So like I said, we can  
3 broadcast into this using any broadcasting application.

4 I'm going to use a dap that one of our  
5 community members built called Live Peer Desktop.

6 And it's pretty simple. You hit the big red  
7 button. And so now we are broadcasting live into Live  
8 Peer. And I mentioned that that gives you an ID. You  
9 can either share a link or copy the ID.

10 And then anyone with this ID can play your  
11 video. So I'm going to access it through this other dap,  
12 a web-based player that's pretty bare bones.

13 And let's see if this -- this works, our  
14 Internet connection here. Boom. Peer-to-peer,  
15 decentralized live streaming. (Applause.) It works.  
16 It's not vaporware.

17 You see there's kind of about a 15-second  
18 latency, which is pretty conventional for live streaming,  
19 broadcasting.

20 So all right, I think that's kind of the gist  
21 of our presentation. The last thing I just wanted to say  
22 was that if you want to get involved, we'd love to have  
23 you.

24 It's an open project. It's community driven.  
25 We have four core team members, but we have, you know, 10

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1 P, which is the IPFS networking layer, so we can work  
2 kind of across the Web 3 stack, and kind of peer-to-peer  
3 content delivery is really interesting.

4 It can save about 85 to 90 percent of the  
5 bandwidth off of traditional origin CDN's when the peers  
6 who are consuming the streams are also the ones who are  
7 delivering them, kind of like in bit torrent. So we're  
8 really excited about that layer, as well.

9 So finally, this is a little small project  
10 status in where we're at, we're about nine months into  
11 building Live Peer.

12 We've had a proof of concept with video peer to  
13 peer working out for six months. Sorry, I couldn't show  
14 it to you today.

15 My colleague Eric here thinks he might be able  
16 to get the demo working if you want to take over.

17 I'll keep talking while you get set up. We  
18 launched a test net last week with the implementation on  
19 the Ethereum blockchain. So any of you can actually run  
20 a node, participate, be a transcoder, be a delegator,  
21 broadcast video through it.

22 I'm real excited about that, still very  
23 technical command line centric, but we're working towards  
24 one month, making it easier to use.

25 And we're working towards production. So --

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1 to 20 contributors in the community, all around the  
2 world.

3 They'll tell you if you joint the test net, run  
4 a node, if you're building a dap -- maybe a social  
5 application, anything that could benefit from video, and  
6 you want to include video, talk to us.

7 We can get that working inside your  
8 decentralized application. We have lots of ideas for  
9 things we want to see built.

10 And the best way -- place to find us is in our  
11 chat room on Gitter -- Gitter.am/livepeer or  
12 github.com/livepeer. All the work is done in GitHub  
13 through the issues and everything.

14 So we're Live Peer. Thank you very much.  
15 (Applause.)

16 MICHAEL: Want to take some questions?

17 MR. FUCANIX: Sure. Yeah, I think we have a  
18 couple minutes for questions if anyone has any. Who has  
19 got questions.

20 MICHAEL: No questions. You blew their mind.

21 MR. FUCANIX: Oh, we got one.

22 QUESTION: (Inaudible.)

23 MR. FUCANIX: Okay, the question was why Swarm?

24 QUESTION: (Inaudible.)

25 MR. FUCANIX: Good question. So just he asking

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1 about the content delivery layer. Swarm is a project  
2 from the Ethereum Foundation. It's one of the three  
3 pillars of projects that they raise money for in their  
4 crowd sale.

5 And it has very tight Ethereum integration.  
6 And we're implemented on Ethereum. So the Swarm protocol  
7 is like, if you want to store a file on this network, you  
8 pay ether.

9 Someone will give you a receipt to store it,  
10 and it will be available. And if it's not available,  
11 they'll pay a big penalty back to you.

12 And so because of this like, tight Ethereum  
13 integration, we thought it was a great place to get  
14 started. It's already a CDN. It already passes content  
15 around between peers.

16 And we just needed to extend it to support  
17 streaming and content that's not persisted forever. So  
18 that was -- and it was an open-source project.

19 So it was great to build on top of that as a  
20 head start. And then on the other side, there's this  
21 IPFS the p-to-p ecosystem. And we're real excited about  
22 that because they actually have a networking layer that  
23 supports web RTC. It works in the web browser. It works  
24 on mobile.

25 And even though it has less tight Ethereum

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1 amongst thousands of peers in cryptographically secure  
2 packets.

3 Much more -- much harder than just everything  
4 going through Facebook, for example.

5 So, cool, time for one more question. One more  
6 question.

7 QUESTION: (Inaudible.)

8 MR. FUCANIX: The question was which coin does  
9 the encoder operate on?

10 QUESTION: Earn.

11 MR. FUCANIX: Earn. Earn. They earn Live Peer  
12 token. So it's a token that's native to our protocol.  
13 It's used to broadcast, and it's used for the proof of  
14 stake and the verification of work protocol.

15 So it's a secure unit of account where all the  
16 stake in the system is measured off of this ledger. It's  
17 necessary that it be kind of accountable within this  
18 ecosystem in order to do the math to secure the system.

19 QUESTION: (Inaudible.)

20 MR. FUCANIX: No, no, the mining isn't an  
21 analogy in this system. It's basically rewarded to the  
22 nodes that do the work and verify they did and everyone  
23 who participates in the delegation protocol of electing  
24 those nodes.

25 So if you stake some token and elect

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1 integration, and the incentives weren't designed yet --  
2 we were kind of waiting for the file coin paper to come  
3 out to provide their incentives, we're excited about  
4 their networking layer being able to work in the browser  
5 and mobile and everywhere that users want to be.

6 Yeah.

7 QUESTION: (Inaudible.)

8 MR. FUCANIX: Good question. So the question  
9 was if a reporter wants to use Live Peer anonymously, can  
10 it be traced back to them?

11 This is live video so that depends on how they  
12 conceal or reveal their identity if they're on camera.  
13 But the content itself is anonymous.

14 You just have a cryptographic address, and  
15 you're passing the content peer to peer, so it, you know,  
16 can't be traced to your identity in that way.

17 There are certainly some weaknesses in how you  
18 broadcast. So for example, if you're going from your  
19 cellphone, and your cellphone is communicating to one  
20 single cell tower, and someone can identify the source of  
21 that video at the cell tower, that would be an  
22 opportunity to, you know, potentially censor or to try  
23 and identify where the origin phone was.

24 But that's much harder in an anonymous peer to  
25 peer decentralized system where the video is being passed

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1 transcoders, then you'll earn new token in proportion to  
2 your stake, as long as they don't cheat.

3 And if they cheat, you'll be penalized. So  
4 elect wisely.

5 Cool. All right, well, thank you very much for  
6 having me. This is great. (Applause.)

7 MICHAEL: Thanks, Doug. Fantastic, so I think  
8 there's this narrative that all this crypto currency  
9 stuff is this speculative bubble.

10 It's amazing to see real projects, real  
11 applications being built on top of Ethereum as a  
12 platform.

13 So up next we have Alex and Alex from Coin  
14 Fund. They are going to talk to us about trends in  
15 decentralized social media.

16 So you guys.

17 MR. FELIX: Hey, everyone. We are Coin Fund.  
18 This is Alex Bulkin, and I'm Alex Felix.

19 We invest in blockchain projects across this  
20 space, as well as spend a majority of our time advising  
21 projects on building products and bringing their project  
22 to market.

23 Sorry if you couldn't hear me. So tonight, we  
24 wanted to spend a little bit of time with you talking  
25 about decentralized social media.

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1 And what we want to focus on are some of the  
2 core properties of decentralized social media that can  
3 threaten incumbents and these things are very simple but  
4 potentially disruptive components that you can use  
5 blockchain to unlock.

6 And if you really think about why Facebook was  
7 so successful, it was the first platform to introduce  
8 social interactivity.

9 So let me kind of jump forward here. So when  
10 we think about the problem -- the problem that this space  
11 faces is that we have a larger amount of control by fewer  
12 entities.

13 And that sort of leads to opportunities for  
14 spam, difficulties for any competitors to compete when  
15 you have sort of moats around those businesses.

16 But those businesses are sort of focused on  
17 their own monetization models, and less so on the  
18 customer-centric experience.

19 So here's a slide -- and again, we're going to  
20 focus a little less on the product and more on the sort  
21 of underlying innovations and growth hacks that these  
22 projects are using.

23 So -- blocking my own presentation here. So  
24 number one is kind of the technology. Social media  
25 platforms span from having their own blockchain protocol

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1 the speculative markets.

2 Leroy is a very simple decentralized Twitter.  
3 It deals with -- it has elements of stateless smart  
4 contracts where it can use an extremely low amount of gas  
5 by keeping all the information in the call function.

6 And what this solves is micro tipping and  
7 improving signal to noise.

8 So you have a product that you actually have to  
9 pay to tell someone you want to say something to someone.  
10 And that's, you know -- sort of improves quality.

11 And people also see kind of micro returns on  
12 investment, because often you pay one cent. And if  
13 you're focused on delivering value for others, similar to  
14 how you would if -- as a presenter, you know, your core  
15 focus is to teach everyone else something, then you will  
16 be rewarded for that and see a return on your one cent.

17 Kik and Kin who will present next is an  
18 extremely compelling project that's built on a  
19 programmable rewards engine that seeks to create massive  
20 network effects by allowing people an incentive to join  
21 and adopt Kin.

22 So they're going to spend a little more time on  
23 that. But what that model allows is for a centralized  
24 company to launch a network that will extend far beyond  
25 their actual application and that will create massive

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1 to using an ERC-20 token on top of Ethereum.

2 Next is sort of the innovation layer, which,  
3 you know, talks about the specific purpose that that  
4 service seeks to disrupt.

5 So if we take Steam It, for example, what  
6 they're using is a process of speculative economics. And  
7 speculative economics is that they are inflating their  
8 currency to reward users and content curators in return  
9 for people actually buying the currency in the market.

10 So the price of the currency is whatever people  
11 are willing to buy it for. But they are using inflation  
12 of their supply to pay people to do things.

13 So it's kind of a highly reflexive system where  
14 when momentum in the price of the currency is going up in  
15 the speculative markets and new people want to buy in and  
16 join the ecosystem, people operating the ecosystem are  
17 actually earning more and more.

18 And vice versa on the other side. So it's kind  
19 of a -- it's an early stage test, but it's -- they  
20 continue to kind of refine the model and balance the  
21 system. So that's extremely interesting.

22 And the growth hack there is customer  
23 acquisition because you can actually pay people to do  
24 things and pay people to join the network with currency  
25 that you've generated and then someone else is buying on

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1 network effects and almost diminish any centralized risk  
2 of Kin having -- you know, being an operator on that  
3 platform.

4 And lastly, we have Civil, which is a crowd  
5 source -- or sorry, it's a decentralized platform for  
6 journalism. And they're sort of flipping the model on  
7 its head a little bit, and I'll let Alex Bulkin talk  
8 about this a little more.

9 But they're actually going to prefund writers  
10 who then will go out and create content that these people  
11 would like to read.

12 So those are sort of some of the growth hacks  
13 there, and, you know, we'll talk about it a little bit  
14 more on the next slide here.

15 So this kind of goes through a couple of the  
16 main points, number one being the speculative economics  
17 we discussed.

18 And these five core features sort of present  
19 that opportunity to dethrone incumbents. So number one  
20 speculative economics. The customer acquisition and  
21 rewards model problem.

22 Number two, user experience. Products are  
23 actually built with the user in mind and not the  
24 monetization scheme of the company.

25 Data control and access -- this is a big



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1 problem today, where a lot of companies take all our  
2 data. Repackage it and sell it.

3 So this is a way to actually control, you know,  
4 who owns you and what -- your information you're giving  
5 them.

6 It's compensatory, which means that you're also  
7 being paid directly for the value that you're creating.  
8 It's not the YouTube model where they receive advertising  
9 dollars and they somehow then, you know, redistribute  
10 some of that money.

11 This is a very direct relationship to the value  
12 you're creating is what you're earning. And lastly, the  
13 democratic ownership is a really under-rated -- or maybe  
14 it's less under-rated these days, but this is what's  
15 driving sort of this booming crypto currencies is that  
16 when you are a part of owner in one of these networks,  
17 you feel compelled to promote it, to evangelize it, to  
18 use it.

19 And this is now at a really granular scale,  
20 where you have people in many different countries as part  
21 owners in the same network and helping to grow that  
22 network in any way they can.

23 And being an early adopter, you know, puts you  
24 in a good position as that network continues to grow.

25 So when you have the option to earn in network

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1 they want to read what other people write.

2 In this model here, you see a very different  
3 picture because that's not the only reason why people are  
4 joining the system.

5 So for example, you know, Leroy is a really  
6 cute, young project that is basically trying to do what  
7 people kind of think is impossible, which is like a micro  
8 payment tipping model.

9 You know, it's like, it's never succeeded. But  
10 if you actually go to Leroy and register and try to use  
11 it, it's actually extremely compelling.

12 And so what Leroy is, is a clone of Twitter  
13 with micro tipping where you pay for transactions.

14 And what you get from that also is the fact  
15 that it's going to be completed clean of spam because the  
16 incentives of a spammer is to reach as many people as  
17 possible as cheaply as possible.

18 Well, guess what in Leroy, you have to pay a  
19 transaction fee to do anything whatsoever, so you can't  
20 possibly do any spam.

21 Hence the incentives are actually balanced a  
22 little more towards, you know, bona fide content. I  
23 don't know if it's going to be good or bad, but it's  
24 definitely not going to be spam.

25 Civil is trying to do crowd source fact-

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1 shares, you also have the option to, you know, hold the  
2 interest in that network, or go and sell it on the market  
3 for cash.

4 So that fundamental property is a powerful one  
5 when you may only have to sell a little bit to cover your  
6 expenses and if you can continue to sort of grow your  
7 interest in the network.

8 So I'll leave -- I don't want to take too long.  
9 I want to let Alex talk about his slides. But thank  
10 you.

11 MR. BULKIN: My mic didn't work. I'm going to  
12 do something different, not what we thought we're going  
13 to do.

14 So I study crypto economics at Coin Fund, and I  
15 kind of think about what it is that we can achieve with  
16 incentives that come from our ability to create tokens on  
17 blockchain.

18 And, you know, if you look at this whole  
19 picture, it's basically trying to -- in small steps here  
20 and there -- to redefine the incentives that drive  
21 people's participation in the media.

22 So if you think about Facebook, right, there's  
23 content being published by friends to friends. And when  
24 you achieve a certain critical mass, you know, a bunch of  
25 people want to join because they want to be read, and

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1 checking and Steam It also is trying to do crowd sourced  
2 content quality from the inception.

3 And I don't know if you think Steam It has  
4 succeeded at that or not, but it's an interesting idea  
5 that you use crypto economic incentives to incentivize  
6 something that is basically completely subjective, which  
7 is content quality. Only a human being can decide  
8 whether it's good or not.

9 So it's a really complex problem, and in  
10 working with the Civil team, I really enjoy thinking  
11 about this problem.

12 And actually Civil might hire services of a  
13 peer economics research consulting company just to look  
14 at this problem and try to design crypto economics that  
15 actually achieve what it states.

16 How much time do I have?

17 So what is happening in this space right now is  
18 there is this huge barrier to entry. And whatever  
19 currently exists doesn't actually do quite what people  
20 want.

21 So everybody is talking about how it is that we  
22 can, you know, compete with Facebook, compete with  
23 Twitter.

24 And all of these systems are very young, but  
25 notably, you know, the potential for success here is huge



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1 because last summer, just based on a speculative crypto  
2 economics of Steam It, Steam It has acquired, you know,  
3 more than I think 100,000 people.

4 It's like, the only -- one of the very few  
5 crypto projects that actually has an untrivial number of  
6 non-crypto savvy people, or, you know, mainstream users  
7 that are actually actively using it.

8 And so we basically see this as having kind of  
9 great potential to disrupt the social media industry.  
10 And this is a little bit of a summary of what the --  
11 sorry -- right, this is a little bit of a summary of what  
12 the disruptive experiment is trying to achieve in this  
13 space.

14 Questions? Yes.

15 QUESTION: (Inaudible.)

16 MR. BULKIN: For retention?

17 QUESTION: (Inaudible.)

18 MR. BULKIN: Actually that's --

19 MICHAEL: Can you repeat the question? Repeat  
20 the question?

21 MR. BULKIN: Oh, the question was what are the  
22 statistics for user retention?

23 MICHAEL: And the only project for which the  
24 question currently makes sense is Steam. And the answer  
25 is that it's kind of like win some, lose some.

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1 Because Steam -- joining Steam is highly  
2 incentivized by the speculative economics. So when Steam  
3 is high, the network actually pays a lot of money to  
4 people who write.

5 And so a lot of people join it and generate a  
6 whole bunch of content, and then, you know, the market  
7 tanks. Steam goes down, and then the activity really  
8 noticeably goes down.

9 So do you want to -- yeah, yeah, go ahead.

10 MR. FELIX: But one of the things that's so  
11 interesting about Steam It is it's a blockchain, right?

12 So you can go out and there are implementations  
13 of analytics build to analyze the Steam blockchain. So  
14 you can actually create a dashboard around, you know, how  
15 many new users joined this week? How many total users  
16 are active? How many people posted? How much do people  
17 earn?

18 And you can actually understand, you know, the  
19 user metrics really granularly and really well. And  
20 that's one of the core features of -- of this technology  
21 we think is the ability to analyze systems and health of  
22 systems -- why they're operating and in real-time.

23 So the retention has been an issue as they  
24 haven't quite figured out the balance of, you know, those  
25 speculative properties and how much they should pay

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1 people and the growth rate that they're experiencing of  
2 new users.

3 But they're constantly refining the model, and  
4 it seems to be improving.

5 MR. BULKIN: More questions? Yes.

6 QUESTION: (Inaudible.)

7 MR. BULKIN: In the crypto media space? Who  
8 are the big players? Well, so -- oh, we don't have that  
9 as a slide, right?

10 I think right now Steam is probably the biggest  
11 existing platform. There is a few other ones that are  
12 kind of alpha and beta stage.

13 There's a Kasha and Yours that have been -- I  
14 personally haven't seen a Kasha. I don't know -- has the  
15 alpha been released?

16 Yeah, they've been promising a release of the  
17 alpha for a really long time. Oh, yeah, and also you  
18 might want to go to our blog, Jake wrote an article on  
19 this, and he mentions a bunch of platforms.

20 Yes.

21 QUESTION: (Inaudible.)

22 MR. BULKIN: I think other than people trying  
23 to -- process Steam It data, which is those Steam It  
24 dashboards, I don't think we've seen much third-party  
25 effort in processing.

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1 Like Steam It has really existed for quite a  
2 long time right now. It's one of the oldest active  
3 projects in this space. So it's now at a stage where you  
4 can kind of like at it. Everything else is very, very  
5 nascent.

6 MR. FELIX: But one of the core interesting  
7 properties of the question you ask is when you have an  
8 underlying blockchain like Steam It, you really can build  
9 any UX experience you want on top of it.

10 And we actually see a world where you would  
11 have competitive or just different UX experiences on top  
12 of the same blockchain that might highlight or promote,  
13 you know, certain interests for certain people.

14 And, you know, those would be -- potentially be  
15 a centralized website that, you know, you could draw a  
16 bunch of users to by building a cool implementation of  
17 data that's implemented in that blockchain.

18 So that in and of itself, you know, could be an  
19 interesting field going forward.

20 MR. BULKIN: How much time, do we have? One  
21 more question. One more question.

22 QUESTION: (Inaudible.)

23 MR. BULKIN: Of what?

24 QUESTION: (Inaudible.)

25 MR. BULKIN: The question is -- is Steam It the

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1 decentralized version of Acamy --

2 MR. FELIX: I'm not as familiar with Acamy, but  
3 it's similar to a decentralized Medium.

4 MR. BULKIN: It's a hybrid between  
5 decentralized Medium and decentralized Reddit. That's  
6 the way we think about it.

7 QUESTION: (Inaudible.)

8 MR. BULKIN: Oh, oh, you mean in terms of like,  
9 the distribution of content?

10 Steam It is a social media application. It's  
11 not about content distribution. It's basically content  
12 lives on the blockchain.

13 It's a very different space than Live Peer. Is  
14 that -- am I understanding your question correctly?

15 It's user-generated content with basically, you  
16 know, pages and photos and writing, and --

17 QUESTION: (Inaudible.)

18 MR. BULKIN: All the data -- just the text, I  
19 believe. I actually don't know where they store the  
20 images. But they have a decentralized architecture for  
21 that.

22 QUESTION: (Inaudible.)

23 MR. BULKIN: The client reads it off the  
24 blockchain. Why don't you come over and we can figure it  
25 out, offline? Thanks.

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1 MR. FELIX: Thank you, thank you very much.

2 MR. BULKIN: Thanks, everybody. (Applause.)

3 MICHAEL: So up next we have a fireside chat.  
4 There's no fire. Maybe we can put a video of a fire up -  
5 - fireside chat between Ted Livingston and Jesse Waldon.

6 So Jesse was a cofounder of Media Chain, which  
7 is an early decentralized media company based here in New  
8 York City, was recently acquired by Spotify.

9 By the way Jesse and I have been talking for  
10 several months now. Thank you, Jesse, for getting this  
11 all organized. It's been a great event.

12 Ted Livingston, CEO of Kik. So you may be  
13 familiar with the Kik app -- or the Kik messaging  
14 platform.

15 He joins us from Waterloo, Ontario, which by  
16 the way is actually a really great hotbed for  
17 cryptocurrency. Lots of great crypto talent comes out of  
18 Toronto.

19 Alex went to Waterloo. I had an intern from  
20 Waterloo this summer. Very smart people at Waterloo. So  
21 take it away, guys.

22 MR. LIVINGSTON: Awesome.

23 MR. WALDON: Yeah, thanks, everyone, for  
24 coming. So I guess maybe we could just start off with a  
25 really basic question, which is, we all know you're the

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1 CEO of Kik. But why did you start it? And what is it?

2 Oh, sorry -- the question is, who are you? Why  
3 did you start Kik? And what is it?

4 MR. LIVINGSTON: Okay, that's a good starting  
5 place. So yeah, so my background is I went to the  
6 University of Waterloo, 2005. Got to see mobile very  
7 early.

8 So the cool thing about University of Waterloo,  
9 why I think so many good people come out of there is if  
10 you -- in order to graduate, you must complete six four-  
11 month internships.

12 So I did a bunch of internships at Blackberry,  
13 starting before the iPhone came out. Saw mobile early  
14 and sort of, you know, realized mobile as going to be  
15 big.

16 And my boss actually pulled me aside one day  
17 after two years of working there and said, hey, you're  
18 really good at this stuff, you should leave and start  
19 your own company.

20 Best advice I ever got. Blackberry was here at  
21 the time, and then two years later, it was here.

22 And so that's what I did. In 2009, January of  
23 2009, I founded Kik. So it's been about seven and a half  
24 years now.

25 And with really this idea that mobile was going

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1 to become the center of our lives, and that chat would  
2 really be at the center of mobile, that it would one day  
3 be the way we communicated -- not just with family and  
4 friends, but also businesses, as well.

5 And so we built Kik. We launched it October  
6 2010. We went zero to a million users in 15 days, back  
7 in 2010, fastest growing thing in like, known human  
8 history.

9 And then fast-forward today. Obviously, chat  
10 is a very crowded space. There's a bunch of different  
11 big messengers.

12 But really makes Kik unique is it's quite  
13 different than the other messengers. Like, if you were  
14 to get it, you go get it. You're like, looks like, all  
15 the other messengers.

16 But the fundamental difference is on Kik your  
17 identity is based on a user name. So it's not phone  
18 number. It's not a social profile. It's just a user  
19 name.

20 So the reason people really like it is you can  
21 come in, you can be who you want to be. And then you get  
22 to sort of hang out and make friends in this environment  
23 without judgement.

24 So, you know, more and more teens are hanging  
25 out online. They want a place to just hang out, be who

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1 they want to be.

2 They don't want it to be about getting more  
3 friends, getting more likes, getting story views. They  
4 just want to hang out and make friends. And they do that  
5 on Kik.

6 MR. WALDON: And so one thing I've heard a bit  
7 about is that Kik has had some experience with digital  
8 currency on the platform in its past. Nothing to do with  
9 cryptocurrency, but there has been sort of transactions  
10 as part of the experience -- with messaging as sort of  
11 the base platform.

12 So I'm wondering if you could just talk a  
13 little bit about experiences to date with currency on the  
14 platform, what you guys have learned from that and what  
15 it means. You know, why people in this room might be  
16 interested in it.

17 MR. LIVINGSTON: Yeah, there's a lot of  
18 questions in your questions. So I'll go through them.  
19 Remind me if I forget any.

20 So I think -- like, if we just go back another  
21 step. You know, why did we get into cryptocurrency sort  
22 of goes back to how did we view chat back in the  
23 beginning.

24 And I think the thing we thought about chat is  
25 on one side we got really excited it could become this

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1 You know, whereas before with airline miles, or  
2 any other sort of digital asset, somebody could always  
3 print more.

4 And so what that meant is guaranteed scarcity -  
5 - if you could create a new cryptocurrency, there's only  
6 ever going to be so much of it, guaranteed scarcity,  
7 guaranteed supply. If you could grow the demand for it,  
8 then the price -- the value of that cryptocurrency would  
9 go up, such that if you set some aside for yourself at  
10 the beginning, you could make a lot of money.

11 And so this was the exciting insight for us.  
12 It was like, for the first time ever, you could have open  
13 and valuable.

14 And so this is something we started working on,  
15 went to like, bitcoin conferences. At a bitcoin  
16 conference in January 2012, it was like, 13 people.  
17 Gavin, the lead developer on bitcoin was there. And Ted  
18 this kid from Waterloo was there being like, I love  
19 bitcoin, but it's flawed. Nobody is going to use it.  
20 Nobody is earning in bitcoin. That's what we need to  
21 figure out. And then we could have a mainstream  
22 cryptocurrency.

23 Fast forward to 2014, we launch Kik Points,  
24 which was a new digital currency inside of Kik, where we  
25 wanted to test this experiment out, what if we created a

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1 central hub of daily life -- how you connect with  
2 friends, families, businesses, and that that would be  
3 really important to society.

4 But if it was going to become this really  
5 important thing, really important to society and daily  
6 life, it should be open and decentralized.

7 That's sort of how we started the company. But  
8 the problem with that is in order to build the company,  
9 we needed to, one, take a lot of money from investors  
10 and two, take a lot of time from our team.

11 And they wanted to get a financial return from  
12 that. So on one side we want to make this open, amazing  
13 thing. And then on the other side, people want a  
14 financial return.

15 And this is where we really got excited about  
16 bitcoin back in 2011 where it was like, bitcoin for the  
17 first time ever could provide a solution to this problem;  
18 where now for the first time ever with blockchain, you  
19 could actually guarantee the scarcity of a digital asset.

20 So once you create a cryptocurrency on the  
21 blockchain, you can guarantee for the first time ever  
22 that there will never be more.

23 So, you know, there's going to be 21 million  
24 bitcoins. For the first time ever we can say, there will  
25 never be more.

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1 digital currency where you couldn't buy it and you  
2 couldn't sell it, you could only earn it and spend it  
3 inside of a Kik?

4 So it started with you could earn it by  
5 watching ads, and you could spend it by buying smilies.  
6 But then over time we built up more and more ways to earn  
7 and more and more ways to spend.

8 And we got to this point where millions of  
9 consumers were earning and spending in this digital  
10 currency to the point it was like, three times the global  
11 transaction volume of bitcoin.

12 And we did this with a team of like, a handful  
13 of people. And so that's where we really said, hey,  
14 there's something here. This could actually work.

15 It was a bit of a crazy idea. Like, hey,  
16 instead of doing ads, let's build an economy around a new  
17 cryptocurrency.

18 So then fast forward to today, 2017, we're all  
19 in on this. You know, we try to do the ads things. We  
20 don't have the data scale of these monopolies to  
21 effectively monetize through advertising.

22 You know, selling stuff in a world where those  
23 monopolies give everything away for free is impossible.  
24 So not only is a cryptocurrency as a third option, a  
25 great option, but for us, it's actually, we believe, the

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1 only option.

2 MR. WALDON: Cool. And I think you touch on a  
3 really interesting point there which is, you know, Kik is  
4 a pretty scaled up startup, as startups go.

5 But you've been sort of radically transparent  
6 that you're facing growth challenges, you know, against  
7 like, the Internet giants -- Google, Facebook, Apple, who  
8 obviously have a huge stake in the messaging market.

9 And so that -- it's one, interesting that  
10 you're transparent about that. And I think that's led  
11 to, you know, a lot of conversations -- you know, critics  
12 who are looking at you guys doing a cryptocurrency  
13 launch, and they're starting to ask the question, hey, is  
14 this a mature startup that's just facing user growth  
15 problems? Is this a bow out for a startup that's looking  
16 for a return on its investment?

17 And you yourself said in a recent interview,  
18 you know, that cryptocurrencies do present a  
19 fundamentally new way for startups to exit.

20 So I'm wondering, can you speak a little bit to  
21 critics who make that criticism? And I guess, as part of  
22 that, explain, you know, what is the real vision here?  
23 What are you expecting to get from Kin? And does it  
24 allow you to compete with Internet giants?

25 MR. LIVINGSTON: A lot of questions. A lot of

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1 piece for us. We look at Snapchat at their \$1 at the end  
2 of last year, and we're like, wait a second, these guys  
3 have raised billions of dollars. They have thousands of  
4 employees. They had amazing product insight and amazing  
5 execution, and even they are struggling.

6 And so this is when we decided like if even  
7 Snapchat is struggling, we are on a losing path.  
8 Everybody is on a losing path.

9 And that's where we decided as a board with our  
10 investors and as a team that we had to go all in on  
11 cryptocurrencies.

12 Because I think the key thing here is it's  
13 always been hard for us to find a sustainable business  
14 model, right?

15 We don't have the scale to do ads. We can't  
16 sell anything because everybody expects everything for  
17 free.

18 So, you know, all we can do is just raise more  
19 money at hopefully higher and higher prices. But that  
20 means, you know, we're trying to build a team with tens  
21 of millions of dollars while Facebook, for example, is  
22 making \$10 billion a quarter.

23 So like, how do we compete with that? And  
24 we've really needed to find a sustainable business model.  
25 So that's when we said a cryptocurrency could

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1 questions. I going to have to give long answers. Jesse  
2 and I, we were both in the Union Square Ventures  
3 portfolio together, so we go back.

4 I think that criticism is totally fair. About  
5 a year and a half ago, a journalist asked us, how is  
6 growth going?

7 And we actually said we're struggling. And the  
8 journalist like, looked at me like, I can't believe you  
9 just said that. And he wrote it down. He's like, this  
10 is going to be the best article ever. This billion-  
11 dollar company is struggling with growth. I can't  
12 believe you said that.

13 And we're just like, oh, I thought that's --  
14 you know, asks a question, you just give them the honest  
15 response. I didn't know that was a big thing.

16 And, you know, it was a bit painful for a while  
17 because the impression it gave the industry was that Kik  
18 was uniquely struggling.

19 And that was our impression was that we were  
20 uniquely struggling. But what we've found out since then  
21 is pretty much every consumer service was struggling.

22 You know, Sound Cloud -- I know we're here at  
23 Spotify, but laying off a huge chunk of their staff.  
24 Twitter is not growing anymore.

25 Even Snapchat. I think that was the final

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1 fundamentally change that for us. Now it's not about  
2 build a community to show them ads. It's not about build  
3 a community to try to sell them stuff. It's build a  
4 community and get them providing value to each other,  
5 facilitating that with a cryptocurrency -- like, really  
6 build a new economy, a virtual economy around a  
7 cryptocurrency.

8 And that's what we tested out with Kik points.  
9 And if we could do that, we could make a lot of money.  
10 And we could compete again at the next level.

11 But the thing that was really interesting was  
12 we said, wait a second, if we just took Kik points and we  
13 put that on the blockchain, it would be the most used  
14 cryptocurrency in the world.

15 That would be cool. That would probably make  
16 Kik points pretty valuable. But then we had this bigger  
17 idea: What if we took a big chunk of that  
18 cryptocurrency, and instead of keeping it for ourselves,  
19 we set it aside for developers as an incentive to grow  
20 the number of places that you could earn and spent Kin  
21 beyond Kik, okay?

22 And this is what's called -- we call it the Kin  
23 rewards engine. We said okay, yeah, we're going to  
24 create this economy inside Kik. More and more people  
25 will earn and spend it in more and more ways.

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1 And that will sort of grow the value of the  
2 currency like this. But what if we could go to other  
3 digital services and say, hey, if you create ways to earn  
4 and spend Kin inside your digital service, you'll be  
5 growing the value of the currency. Because now there  
6 will be more transaction volume, more people.

7 What if that amount that you grew the value of  
8 the economy, the size of the economy by integrating Kin,  
9 what if we found a way to get that value back to you  
10 through a rewards engine?

11 So now instead of everybody building their own  
12 cryptocurrency, all these digital services would be  
13 economically aligned to all build this ecosystem  
14 together.

15 And that's where we said, okay, it shouldn't be  
16 Kik points. It should be something more broad, bigger,  
17 and that's where we came up with the name Kin and family.

18 It's, yes, we'll use Kik to launch Kin. That  
19 will give it its value.

20 But then we'll use the cryptocurrency as a tool  
21 to economically incentivize the creation of hundreds,  
22 thousands, tens of thousands of other places where  
23 consumers can go to earn and spend Kin.

24 What do you think about that?

25 MR. WALDON: I mean, it sounds to me like, it's

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1 can this be a business model for Kik, a way for us to  
2 make money by growing the value of this asset, but it can  
3 also be a business model for you. So you can pursue your  
4 passion. You can build amazing stuff that you want to  
5 build to provide value to consumers.

6 Don't do ads. Don't do any of that crap. Just  
7 bring people together. Find a way for them to provide  
8 value to each other -- whether it's in music, or games,  
9 or live streaming or chat.

10 And the more you do that, the more money you  
11 will make. And so that's the other thing I love, it's  
12 like, amazing and it aligns all these developers.

13 But it also aligns with consumers. So now it's  
14 like, a developers' goal of, like, listen consumer,  
15 you're in my service. I don't want to show you ads. I  
16 don't want to sell you stuff. I just want you to get  
17 compensate for the value you provide to this ecosystem.

18 MR. WALDON: So basically you're taking, you  
19 know, Kik the company and you're sort of dissolving it  
20 into this larger community of just developers -- where  
21 Kik is a developer. You're open-sourcing that at some  
22 point, right?

23 And then now you're just one developer among  
24 this -- you know, the entire sea of developers out there  
25 that want to develop a chat-based application.

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1 a big bet on open source, which is fascinating. And so  
2 one -- I guess a follow-up there is, you're sort of  
3 saying, you know, Kik as a company you mentioned earlier,  
4 is 125 people.

5 You guys have been building that for -- since  
6 2009, building out new features. And now you're saying  
7 there's this whole world of developers out there who have  
8 talent. So it's sort of a bet that there's more talent  
9 outside the company, than the sum of talent inside the  
10 company.

11 And it sounds like the Kin rewards engine is a  
12 way to bring those people in -- towards a common goal.

13 MR. LIVINGSTON: Totally. That's exactly  
14 right. Like, we -- I think we have like, 150 people --  
15 as 150-person company doing a million different things  
16 are never going to be able to compete with these  
17 monopolies.

18 But what we are feeling, the pain we are  
19 feeling as like, a top hundred app is the pain that  
20 thousands, tens of thousands of developers are feeling.

21 Everybody is saying, I want to build great  
22 stuff. But I just can't find a model. I can't get paid.  
23 I can't make this my living. So I got to go work for  
24 these big monopolies.

25 And so what we're saying to them is not only

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1 MR. LIVINGSTON: Not just chat-based. Like any  
2 application. So I think that's -- that's exactly right.  
3 Like, the way I think of it is, number one, imagine  
4 somebody -- some new project created Kin.

5 Hey, we're going to create this new ecosystem  
6 of digital services for consumers so you can go to all  
7 these different places, all these great services.

8 But everybody would be like, well, who is going  
9 to adopt that? So now we're saying, well, actually we  
10 signed up the first digital service, and it's this  
11 company called Kik -- this app called Kik.

12 It has 15 million monthly active users. It's a  
13 top 100 app in the U.S., and it's actually the number  
14 five most-searched for term in the App Store because  
15 everybody uses it to connect across communities.

16 Everybody would be like, wow, Kin, that sounds  
17 amazing. And you've already signed up Kik -- this top  
18 100 app? Like, that's a really exciting project.

19 And so that we think is like, the killer  
20 innovation is not only have we built the platform and the  
21 ecosystem with Kin, but we've also found that first  
22 killer app.

23 And, you know, if you look at the history of  
24 platforms, that's always how they evolve. You know,  
25 like, Nintendo had Super Mario Brothers. Windows had



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1 Excel. Even the iPhone had the iPod.  
 2 So we think we have both the platform and the  
 3 killer app to start this whole thing.  
 4 MR. WALDON: Awesome. And yeah, there's --  
 5 this is really early days for crypto, and especially when  
 6 it comes to like, you know, consumer media applications,  
 7 I think there's a sharp contrast between the users of  
 8 those applications and the people who are, like, really  
 9 deep into crypto. You know, it's still pretty nerdy at  
 10 this stage.  
 11 And a lot of the -- I think a lot of the  
 12 challenges are around how do you get people to understand  
 13 what cryptocurrency is, how to manage private keys to  
 14 move cryptocurrency around, where you can spend the  
 15 cryptocurrency, where you exchange it, what the  
 16 volatility means.  
 17 So these are like, big, hard challenges that  
 18 sort of stand in the way of adoption. That's what keeps  
 19 me up at night when I think about large-scale adoption of  
 20 cryptocurrencies. I'm curious, you know, what are you  
 21 thinking about -- what do you hope to learn when this  
 22 thing launches?  
 23 MR. LIVINGSTON: So I think I put the  
 24 challenges into two buckets. I think the first bucket is  
 25 around getting consumers to understand it and volatility

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1 and all these things.  
 2 And I think that's what we really wanted to  
 3 show with Kik points is if that -- you could create an  
 4 economy -- a virtual economy where people were earning in  
 5 the digital currency and then immediately spending in the  
 6 digital currency. And there was like, no outside  
 7 exchange. Like, you couldn't buy it, you couldn't sell  
 8 it. You could only earn it and spend it, that it would  
 9 greatly reduce the effects of volatility.  
 10 Because now you're saying, listen, I do this  
 11 over here. I host a great chat. I earn one Kin, and  
 12 then I go over here and I, you know, get a great sticker  
 13 and I spend one Kin.  
 14 I don't care if one Kin is a dollar. I don't  
 15 care if it's \$10. Or not nearly as much because  
 16 everything I want to do is in Kin.  
 17 And I think that's sort of like, here, right?  
 18 Like, you get your paycheck in U.S. dollars. You go buy  
 19 a pizza with U.S. dollars. Do you care what the exchange  
 20 rate is with Australian dollars?  
 21 You're like, no, I don't really care. Some  
 22 people will care, but not very many people. So I think  
 23 that's the first thing. That's what we proved with Kik  
 24 points is -- and that was our fundamental program with  
 25 bitcoin is nobody is earning in bitcoin.

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1 And so therefore people are just speculating on  
 2 it. We want to find a way to get people earning, so  
 3 they'd actually use it.  
 4 The second category of problems is with the  
 5 blockchain and the technology. There's a bunch of  
 6 challenges here.  
 7 Scalability is a real issue. You know, if we  
 8 wanted to go in and just give one Kin to each of our  
 9 users, we'd tie up the Ethereum network for something  
 10 like 30 days. Take 30 days, like, you get one Kin. You  
 11 get one Kin. Come back 30 days later, and you get one  
 12 Kin.  
 13 And it would take down the whole network. And  
 14 so I think, you know, getting that scalability, it's a  
 15 big challenge.  
 16 How we're going to do it is we want everything  
 17 to be on chain from day one because we're going to do  
 18 sort of like, a Gmail-style rollout inside of Kik. So  
 19 we're going to start with just a thousand users.  
 20 And then from there, as we figure out the  
 21 scalability, we increase the scalability of the  
 22 blockchain -- whether it's on Ethereum, whether it's on  
 23 our own sort of blockchain 3.0 project, or somebody  
 24 else's blockchain 3.0, I call it, as we can increase the  
 25 scalability, we'll increase the size of the consumer

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1 bases again.  
 2 And then the other big thing is, you know,  
 3 private keys. You know, we think it's really important  
 4 that it's all on chain and that the user controls their  
 5 private keys for a bunch of reasons.  
 6 But for a consumer, it's like, so if I lose  
 7 this key, it's gone? And they're like, no, no, no, I  
 8 call you guys and you give me the key back.  
 9 And we're like, no, no, no, it's gone, right?  
 10 And the consumer is like, oh, I could never use that.  
 11 And so I think that's like the big -- the  
 12 second big category of technology products -- really  
 13 product problems -- is innovating around how people use  
 14 keys, how recovery works, how fraud works. All these  
 15 different things.  
 16 But I think that's where Kik has a great track  
 17 record. Like, we were the first chat app to go viral in  
 18 2010. The first chat app to become a platform in 2011,  
 19 and the first chat app in the Western world to launch  
 20 Bots in 2014.  
 21 So we have like, a history of innovation around  
 22 product in these new emerging areas.  
 23 MR. WALDON: Yeah, I think the product  
 24 experience on those challenges will be an amazing  
 25 learning experience for the entire space because those



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1 challenges are really I think something that any  
2 developers here who are thinking about building a  
3 decentralized media application are thinking about how  
4 are we going to get people to actually use this thing and  
5 interact with it?

6 And the sort of UX is just so trailing behind  
7 the excitement in the space.

8 MR. LIVINGSTON: Totally. And so how do you  
9 think about like, the challenges in the space? You know,  
10 we're here at Spotify.

11 Spotify bought Media Chain, which was really  
12 cool. Like, wow, good for you Spotify and good for you  
13 Media Chain. How are you guys thinking about it now that  
14 you've been here this -- you know, another big company?

15 MR. WALDON: Yeah, so we're tracking the space  
16 closely. Frankly, the Kik announcement was a really big  
17 deal for us here inside of Spotify.

18 Because it's like, hey, big companies are  
19 starting to think about this stuff. Obviously, we've  
20 been thinking about it for a long time prior.

21 And so at the moment we're just sort of  
22 exploring, you know, from a research standpoint, how  
23 might this play a role.

24 You know, Spotify -- one way to think about it,  
25 you have on one side artists, and then on the other side,

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1 And with Kin you're trying to incentivize  
2 developers to, you know, build applications that will  
3 drive -- you know both systems are trying to incentivize  
4 people to do stuff that the system architect wants to do.

5 So why Ethereum versus, you know, any other  
6 blockchain solution or non-blockchain solution?

7 MR. LIVINGSTON: Okay, two questions in there -  
8 - why Ethereum? Is it like rewards?

9 Okay, so why Ethereum, I think it's really  
10 simple. It's a really easy way to get into the market.  
11 It's the best blockchain to build for right now. We can  
12 create a new cryptocurrency, new token very quickly and  
13 easily.

14 And then we set it up such that as new  
15 blockchains emerge, if they have higher scalability, we  
16 can move between blockchains. We can move the  
17 cryptocurrency.

18 So I think that's the first one.

19 In terms of like, rewards programs, I think  
20 that's right. Like, with a rewards program you're trying  
21 to create an incentive system to incentivize the behavior  
22 that you want to see.

23 So I think in that way, like, Starbucks's points  
24 and Kin are -- any other cryptocurrency are similar.

25 But where I think it's different and really

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1 obviously, there are fans.

2 And we're constantly looking for ways to bring  
3 them closer and closer together. The idea that, you  
4 know, potentially there's a token that maybe an artist  
5 creates or a token that allows for exchange, like you're  
6 talking about.

7 That's a fascinating way to remove some of the  
8 middlemen that are currently in between that exchange.

9 And, you know, Spotify is a platform that's  
10 constantly looking to do that and bring artists and fans  
11 together more directly.

12 So there's a lot of alignment in I think the  
13 spirit of the blockchain space and the cryptocurrency  
14 space and what Spotify is trying to do for artists.

15 MR. LIVINGSTON: Awesome.

16 MR. WALDON: Yeah, it's exciting. I wanted to  
17 maybe shift gears a little bit and talk technical a  
18 little bit more, specifically like, why -- so why  
19 Ethereum?

20 You know, I think there's a lot of parallels --  
21 if you think about like, a loyalty program, like,  
22 Starbucks runs or something like that, you know, there  
23 are a lot of similarities in that, you know, Starbucks  
24 is trying to, you know, incentivize people to do certain  
25 things that benefit Starbucks's.

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1 compelling is in the Starbucks's model, if I go -- if you  
2 go to Starbucks and you drink a ton of coffee, and you  
3 get a bunch of Starbucks's points, that doesn't help me.

4 And if I go to Starbucks's, and I drink a bunch  
5 of coffee, and I get a bunch of Starbucks's points, that  
6 doesn't help you.

7 But in a cryptocurrency, the opposite is true.

8 If I come in and I provide a bunch of value, and I  
9 create demand for this cryptocurrency, then the value of  
10 the cryptocurrency overall is going to go up.

11 And it goes up for me, and it goes up for you.

12 And if you're a developer creating a bunch of demand for  
13 Kin and a bunch of ways to earn and spend, you're getting  
14 this reward engine, daily payout, you're causing the  
15 value of the cryptocurrency to go up, as well.

16 And it's going up for you, and it's going up  
17 for me. So it's would sort of be like, if at Starbucks's,  
18 you know, if you -- listen, I don't have to do anything,  
19 I went and drank coffee one day, and I got one Starbucks's  
20 point.

21 But tomorrow you go in and you drink a coffee  
22 every day for the next year, that now is economically  
23 benefitting me.

24 So it's sort of like a networked incentive  
25 system, and I think that's like, the super powerful thing

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1 about cryptocurrencies, is it can economically align a  
2 large group of people to all work together to create  
3 amazing new things.

4 MR. WALDON: Awesome. How are we doing on  
5 time? Do we want to open it up to questions soon?

6 MICHAEL: So, yeah, I mean, this conversation  
7 is amazing. It's eight o'clock. I think there's  
8 probably lots of questions -- maybe we'll let the  
9 audience --

10 MR. WALDON: Sure, let's do it.

11 QUESTION: (Inaudible.)

12 MR. LIVINGSTON: So the question is, it seems  
13 like a closed system. Have you ever considered opening  
14 it up so that you could use it outside?

15 So Kin is an ERC20 token. So you get it, it's  
16 yours. You can do whatever you want with it. But I  
17 think -- you know, the problem with cryptocurrencies is  
18 like, they're great to speculate on. You know, I'll get  
19 one. I'll hold it, and hopefully it will go up.

20 But nobody actually uses them for transactions  
21 -- real transactions. And so what I think the innovation  
22 of our project is -- one is we have a, you know -- a test  
23 where we got millions of people earning and spending in a  
24 new digital currency. That's one.

25 But two, we've created this really interesting

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1 And we're selling 1 trillion Tuesday next week in a token  
2 distribution event.

3 I'll talk about that in a second. We're  
4 putting aside 3 trillion for Kik, vesting in at 10  
5 percent a quarter for 10 quarters. So over two and a  
6 half years -- that's Kik's incentive for being the first  
7 killer app on this platform, how we convinced our  
8 investors to do this.

9 And then we're setting 6 trillion Kin aside for  
10 the foundation and the rewards engine. And those we'll  
11 vest into the market at 20 percent of whatever is left of  
12 that 6 trillion each year, paid out daily.

13 Okay, so it's sort of like, the mining reward.  
14 You know, there's some that keeps getting paid out, but  
15 less and less and less, but hopefully at higher and  
16 higher prices.

17 So in terms of separating like, the private  
18 entity of Kik and the foundation, the Kin rewards engine,  
19 today, you know, obviously Kik has influence on both.

20 And that's what we need to do to get it going.

21 But over time, the idea is Kik becomes just another  
22 participant in this much broader ecosystem.

23 And this Kin foundation becomes this  
24 independent, open, and ultimately completely  
25 decentralized organization that's goal is to get Kin used

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1 rewards engine to incentive other developers to create  
2 places beyond Kik, where you can earn and spend Kin, as  
3 well.

4 QUESTION: (Inaudible.)

5 MR. LIVINGSTON: Cool.

6 MR. WALDON: Any other questions out there?

7 QUESTION: (Inaudible.)

8 MR. LIVINGSTON: Yeah, I heard you. How do you  
9 separate the private entity of Kik with the foundation?  
10 That's your question, right?

11 So we are -- so maybe I'll just talk about the  
12 allocation for a second. So we're creating Tuesday next  
13 week -- it's been a long time coming, I'm very excited,  
14 10 trillion Kin tokens. Okay?

15 Everybody is like, wow, that's a lot. It's  
16 actually not a lot. You know, it's just a matter of  
17 where the decimal place falls.

18 The reason why 10 trillion versus 21 million  
19 bitcoins, for example, is because if I host a great group  
20 chat, or make a great playlist or build a great game, I  
21 don't want to earn .00001 bitcoin. I'd rather earn 10  
22 Kin.

23 Okay, so this our lens on everything.  
24 Everything is about the consumer and making it really  
25 easy to understand. So we're creating 10 trillion Kin.

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1 in as many places as possible.

2 So like, grow the overall size of the economy -  
3 - whether that's in Kik or hopefully well beyond Kik.

4 Why over time will we want the Kin foundation  
5 as Kik to be as independent as possible is simply because  
6 it's in our best economic interest.

7 This is the thing I love about  
8 cryptocurrencies, it's so many times, like, why would we  
9 open source Kik for the users?

10 Because we'll make more money. Because the  
11 more we grow the usage of this asset, the ecosystem  
12 around it, the more valuable the currency, the more  
13 valuable our 30 percent.

14 If people perceive that, hey, this Kin  
15 foundation, they're favoring Kik as one of these  
16 participants in the system, nobody will adopt it, and Kin  
17 won't be worth anything.

18 And so it's just in our economic best interest,  
19 which is always the best test. If it's in somebody's  
20 economic best interest, they're probably going to do it.

21 And so that's how we tried to set it up here.

22 Maybe I'll just also talk about the token  
23 distribution event. We're taking a totally new approach  
24 on this, and so for those of you that have projects, we  
25 think it's going to be cool.

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1 So there's two ways typically to do a token  
2 distribution event. On the one side you can say, hey,  
3 we're only going to raise this much money. And whoever  
4 gets in first gets it all.

5 So this is what happened with the bad ICO, \$35  
6 million, 200 people ended up taking all of that \$35  
7 million. A bunch of people who wanted that, got left  
8 out. And then those 200 people immediately flipped it  
9 onto exchanges for immediate two to three times return.

10 So everybody is pissed off, like, why did you  
11 give it to these guys that don't care about the project  
12 at all, and they made all the money, and you didn't give  
13 it to us?

14 So then what people did is they said, oh, we  
15 have a solution. What if we just take as much money as  
16 people want to give us for a period of time, and then  
17 we'll divide it up from there?

18 So oh, great, now everybody can participate,  
19 but we get these \$150, \$200, \$250 million -- it's like, a  
20 team of five people, they're like, damn, that was sweet.

21 Like -- (laughter) -- and it's like -- we're like, okay,  
22 that -- we don't want to do that either. That just feels  
23 irresponsible.

24 And so what we said is like, could we get the  
25 best of both? So we are raising \$125 million -- you

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1 this.

2 So actually I jumped in and I reviewed  
3 passports. I reviewed 200 passports. It took me two  
4 hours. I got the training, did the passports. So cool.  
5 It's like, here's their passport. Here's their selfie.  
6 Here's all their information.

7 And I'm like, okay -- like, the customs guy,  
8 I'm like, welcome to Kinland. (Laughter.)

9 You're in. You're out. And the cool thing is  
10 I did about 200 passports, and in those 200 passports,  
11 there were 50 unique countries -- countries I had never  
12 even heard of.

13 And so what -- so this is cool -- so we got  
14 15,000 passports so far. There's still a day and a half  
15 to go or whatever it is.

16 And then what we're going to do is we're going  
17 to take that \$75 million and equally divide it between  
18 all those people who registered.

19 And so on Tuesday, it's this like, race at the  
20 door, it's hey, you signed up -- \$75 million divided by  
21 15,000 is whatever that number is -- \$6,000. We have a  
22 conversion rate -- or an exchange rate between Ether and  
23 dollars. So send us up to this much Ether within 24  
24 hours, and we will send you back the corresponding amount  
25 of Kin.

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1 know, in our last round, we raised \$50 million, so it's  
2 about double. Every time we raise money, we raise about  
3 twice as much money -- \$125 million capped round.

4 But then on the other side to make sure that  
5 everybody can participate who wants to, we are requiring  
6 people to register ahead of time with their passports.  
7 Okay?

8 And this is the part I love -- I love this. So  
9 how do we make sure that people aren't double-dipping,  
10 getting extra allocation, taking it all is we go and we  
11 say, if you want to participate Tuesday next week, you  
12 must register at Kin.Kik.com by this Saturday at 9:00  
13 a.m. Eastern with your passport and Ethereum address. If  
14 you do not register, you will not participate. Period.

15 Since then, since we announced that, we've had  
16 15,000 people from 134 different countries register with  
17 their passports, okay? It is awesome.

18 And we didn't expect like, that many -- like,  
19 people like, here's my passport. And then we're like --  
20 we get all these passports, and we're like -- we're  
21 working with a bunch of different vendors to verify them  
22 and do all this stuff.

23 But actually there's a manual review, and  
24 there's like, training for it. It's all hands on deck,  
25 and we're like, oh, man, we need way more people doing

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1 So everybody will have this opportunity.  
2 There's no rush. There's no like, taking down the  
3 blockchain. Just very calm: You registered. You're  
4 equal. You get up to \$6,000.

5 If you want it all, send us this much ether.  
6 If you want less, send us less. We'll send it back to  
7 you.

8 So this guarantees that everybody who wants to  
9 participate can participate on day one, on a capped round.  
10 We are then -- by doing it that way, we're guaranteeing  
11 that we won't raise the \$75 million in that first round  
12 because somebody registered, but they decided not to  
13 participate.

14 Okay, there's \$6,000 gone. Somebody  
15 registered, but they only participated at half the cap.  
16 Okay, there's \$3,000 gone, so it will be actually quite a  
17 bit less.

18 And then from there, we'll do subsequent  
19 rounds, where we keep raising the cap. And in this way,  
20 we think we can do a global distribution with thousands  
21 and thousands of people in 134 and maybe more countries,  
22 where everybody goes, that was awesome. That was fair.  
23 And I'm excited.

24 And so we're excited about that.

25 MR. WALDON: Awesome, and just to be clear, is

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1 it going to the Kin Foundation?

2 MR. LIVINGSTON: So that is going to Kik, and  
3 we are using that to set up Kik and Kin as -- you know,  
4 Kin set up the platform, and then Kik as the first killer  
5 app into that platform, and then get the reward engine  
6 and go from there.

7 MR. WALDON: Okay.

8 QUESTION: I was wondering if you could give  
9 like, the 60-second version of how the reward engine  
10 works and how those, you know, 1.2 trillion tokens will  
11 be distributed over the next year or so?

12 MR. LIVINGSTON: Yeah, 1.2 trillion. It's  
13 going to be awesome. Okay, so what we want to do is --  
14 everybody heard the question, right? Yeah, you had a  
15 mic.

16 What we want to do is there's a bunch of  
17 developers out there, right? Everybody is looking at a  
18 cryptocurrency.

19 And so the question everybody is going to ask  
20 themselves is, why would I adopt Kin when I could launch  
21 my own cryptocurrency and do my own token distribution  
22 event?

23 And so the answer we want to give to that is  
24 because you will make more money. And so that's really  
25 how we thought about Kin is how can we set it up such

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1 reward.

2 Now, the thing we haven't released yet -- and  
3 we will but not yet -- is -- the obvious question is, but  
4 isn't that really gameable?

5 Like, what if, you know, Jesse at Spotify is a  
6 little bit evil, and he says, instead of like, creating  
7 real transactions, what if I just great a bunch of bots  
8 to send Kin back and forth with each other, and I'll  
9 drive up this transaction volume, and, you know, who is  
10 real? Who is a bot? You can't know.

11 I think the secret sauce to the algorithm is  
12 how we solve for that problem, how we solve for game  
13 ability. We're not releasing that yet. We're very  
14 excited about that, but that's really how the Kin -- that  
15 wasn't 60 seconds, but that's how the Kin rewards engine  
16 works is if the Kin economy like, is worth this much  
17 without you, and this much with you, we're going to find  
18 a way -- a fair, programmable, and ultimately  
19 decentralized way to get that value to you, such that  
20 it's in your best economic interest to adopt Kin versus  
21 build your own cryptocurrency.

22 QUESTION: (Inaudible) so you mentioned Kik,  
23 Snap, Twitter, all these other companies are suffering  
24 from lack of user growth, Kin won't necessarily solve  
25 that.

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1 that as a developer, who has a digital service like, I  
2 could do my own cryptocurrency, but if I adopt Kin, I'll  
3 just make more money.

4 Because we think that's the way to unite all  
5 these developers to work together instead of spreading  
6 out all their efforts across hundreds, if not thousands  
7 of these very small cryptocurrencies.

8 So how do we do that? Well, first of all, we  
9 say, okay, you're a developer. You adopted Kin. You  
10 created places for people to earn and spend Kin, how much  
11 is that increasing the value of the economy?

12 And the answer to that is in transaction  
13 volume. So what we will do is we say every day -- so  
14 there's that 1.2 trillion a year, that converts into a  
15 daily payout.

16 And every day, we will look at the overall Kin  
17 economy. And we'll go digital service by digital  
18 service, and we will add up transaction volume.

19 So hey, you did 1 percent of all the  
20 transaction volumes in the overall economy. You did 2  
21 percent. You did 3 percent. And we will pay out that  
22 daily reward for that last 24 hours proportional to that.

23 So hey, maybe one day, we'll get Spotify on  
24 there. Spotify did 10 percent of the transactions  
25 yesterday, they should get 10 percent of the daily

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1 Even if the volume -- or the value of Kin goes  
2 up over time, Kik still has to deal with users are not  
3 coming into the platform -- necessarily. I'm not saying  
4 that is or is not the case.

5 So that still doesn't really solve the problem  
6 of longevity for a developer or platform adopting Kin. I  
7 guess -- what are your thoughts on that? Or how are you  
8 guys planning for that?

9 MR. LIVINGSTON: So two things, I think that's  
10 a great question. The first thing is, with Kik, why  
11 couldn't we compete with these bigger companies is  
12 because we didn't have the resources.

13 You know, we've raised \$120 million, which  
14 seems like a lot of money, but that's been over the last  
15 eight years.

16 So it's you know, \$15 million a year. And  
17 you're competing with guys that are making \$10 billion a  
18 quarter -- \$40 billion a year. How many orders of  
19 magnitude is that -- three -- over three.

20 And so I think a big part of Kin is giving us  
21 the resources to properly invest in the right things in  
22 Kik to actually be able to compete at a higher level.

23 Okay, so I think that's how Kik -- this does  
24 actually really solve growth.

25 But on the developer side, I think how the

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1 economy outside of Kik grows much faster is there's like,  
2 all these different segments of consumers out there that  
3 have their own unique interest -- things they want.

4 And we're actually all pretty different, right?

5 Like, we don't -- like, I could be very interested in  
6 this little thing, and you're very interested in that  
7 little thing.

8 But the way the economics of the industry are  
9 set up today is that the only people that can survive --  
10 that can make money become sustainable, you have to have  
11 massive scale. Because that's the only way you're going  
12 to make any money through ads.

13 And if you can't make money through ads, you're  
14 going to go out of business. So what does that mean? We  
15 have a world today where each of us probably only use a  
16 few very big apps that try to serve everybody in the same  
17 way.

18 We believe that with this ecosystem and this  
19 new monetization model, we will be able to support many  
20 more developers, building for many more niche interests  
21 because now it's not based on scale to get ads. It's  
22 about creating transaction volume to get a piece of this  
23 daily reward.

24 And we think that will allow developers to  
25 build much better experiences for a specific group of

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1 this stuff is coming out.

2 I actually read a stat that \$700 million was  
3 raised last quarter through token distribution events,  
4 which is more than all early stage investing.

5 So already token distribution events have  
6 replaced venture capitalists. Okay? You know, the  
7 venture capitalist might not know yet, but everybody else  
8 does. Okay.

9 So as a regulator, you're saying, okay, shit,  
10 unstoppable, global. On one side, we need to protect the  
11 consumer because there are blatant scams, okay?

12 There are blatant scams getting tens of  
13 millions of dollars in Ether. We can't have that. We  
14 all agree, right? We can't have that.

15 But on the other side, if we do regulation  
16 wrong, we won't stop it, it will just move somewhere  
17 else.

18 And you know, I think this is what a lot of the  
19 analysis was with China saying, token distribution events  
20 are illegal. Everybody in Silicon Valley is going,  
21 whoooo.

22 Because all this innovation that was about to  
23 happen in China now can't happen there, and now Silicon  
24 Valley gets a huge head start.

25 And so I think this is the really interesting

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1 consumers than these handful of monopolies try to build  
2 for everybody.

3 QUESTION: (Indiscernible) you talk about the  
4 50 unique passports you received, right? Did people from  
5 -- are any of those countries giving any tax incentives  
6 for participating or doing transactions in Kin or Kik?  
7 Or are there any that are showing signs of giving  
8 developers tax incentives to participate in that economy?

9 MR. LIVINGSTON: I don't know. But to me  
10 that's like, step eight.

11 QUESTION: Okay.

12 MR. LIVINGSTON: Is like, tax incentives for  
13 like, crypto -- really, we're going to create a whole new  
14 financial system here, and there will be lots of things  
15 we got to figure out.

16 But that's like, way down the road. I think  
17 the bigger thing right now that regulators are trying to  
18 deal with is: What the fuck do we do?

19 Okay, because on one side it's open and  
20 decentralized. So it's like, the Internet. Well, the  
21 only way to stop is to turn off the Internet. We don't  
22 want to turn off the Internet. So okay, it's  
23 unstoppable. Okay, that's a problem.

24 And then they got to decide -- on one side  
25 there's like, all this innovation, all this funding, all

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1 going forward. This is issue number one, is how do we do  
2 regulation such that we foster innovation, but we protect  
3 the consumer?

4 QUESTION: I can answer that. Just today  
5 there's an organization in DC called Coin Center, and  
6 they do advocacy work for this technology to make sure  
7 that, you know, regulators are informed and able to make  
8 smart decisions. And today a bill was put forward that  
9 would essentially allow for small transactions -- I think  
10 transactions under \$600 to be tax exempt.

11 Because I think at the moment, at least in the  
12 U.S., if you send -- if I send you, like, a tiny fraction  
13 of a bitcoin to pay for a coffee or something, that's  
14 like a taxable, you know, capital gains event, where  
15 based on what I paid for that bitcoin, I have to measure  
16 whether if I gained or lost when I spent it.

17 And that, of course, like, doesn't work very  
18 well when you're trying to do -- you know, sell stickers  
19 or something like that.

20 So yeah, so Coin Center has been doing work to  
21 try to make, you know, regulation favorable to small  
22 transactions, but still allow for this like, investment  
23 use case, as well.

24 MR. LIVINGSTON: That's awesome. I think like,  
25 the right analogy for this, too, is just like, this is



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1 the dot.com.

2 Right, when the Internet came out, it was this new  
3 innovation, very disruptive at the time, and on one side  
4 it created all these opportunities, but on the other  
5 side, it created all these challenges.

6 And you know, regulators have a choice, like,  
7 oh, look at all the sex on the Internet. Like, shut it  
8 down.

9 But if they did that, they would miss out on  
10 this decade's biggest opportunity of innovation and  
11 economic wealth generation.

12 And so just like with the dot.com, I think, you  
13 know, crypto today is very similar. There's a lot of  
14 excitement. There's going to be a lot of money made.  
15 There's going to be a lot of money lost.

16 But that the end of the day, something the size  
17 of Amazon and Google will come out of it.

18 QUESTION: (Inaudible.)

19 MR. LIVINGSTON: So the question is, what has  
20 developer interest been, and what do we expect some of  
21 the use cases to be?

22 So developer interest -- if I just back up for  
23 a second, I think what's really interesting about Kik is  
24 we have a very long history of building platforms.

25 So we became the first chat app in the world to

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1 almost like a virtual Uber. Today, I'll drive for you,  
2 and I'll pay you 10 bucks. And you paid me 10 bucks.  
3 And tomorrow you drive for me, I'll pay you 10 bucks.

4 No money has changed hands, but we've both done  
5 a transaction. We've grown the economy.

6 And so we're trying to create all the virtual  
7 equivalents of that. You know, I create a playlist for  
8 you. You create a playlist for me.

9 I host a group chat for you, you host a group  
10 chat for me. I create content for you. You create  
11 content for me.

12 And so those are all the sorts of use cases in  
13 the consumer space that we're looking at.

14 QUESTION: What are some ideas or examples of  
15 how like, free platforms would use Kin? Like, maybe  
16 like, if Twitter or Reddit or some -- something you don't  
17 pay for, right?

18 I like, you -- you said on Kik you watch ads,  
19 right? Like, are there other kinds of examples that  
20 would get already established platforms to think about  
21 how can we create these transactions?

22 MR. LIVINGSTON: Yeah, so this is like, the  
23 really interesting thing about crypto is you look at  
24 something like Twitter, and you drop a cryptocurrency  
25 into it, and it wouldn't work because Twitter is set up

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1 become a platform so you could integrate other native  
2 apps back in 2011.

3 First chat app to add a web platform in 2012.  
4 First chat app in the Western world to add bots in 2014.  
5 And with our bot platform today, we've have over 100,000  
6 bots built for Kik.

7 So we have a history of building for platforms,  
8 and we have a lot of excitement with our developer base  
9 around this.

10 But because of these scalability issues, it  
11 will take some time, okay?

12 In terms of use cases -- and this is not just  
13 for Kik, but if we go broad for a second -- you're trying  
14 to figure out how people can create value.

15 All these projects in crypto are about creating  
16 value and compensating those people who create the value.  
17 So, you know, it could be, hey, I'm really good at  
18 creating stock trading algorithms. It could be, hey,  
19 I'll give you some of my storage. It could be, hey, I'll  
20 give you some of my computational power.

21 In Kik it's ways that people -- consumers can  
22 provide value to other consumers. And so we think things  
23 like, I could host a great group chat for you, and you  
24 pay to join.

25 And then you host a great group chat for me,

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1 for maximum scale and maximum advertising.

2 How Twitter would have to change their thinking  
3 to make crypto work is they'd have to step back and ask  
4 themselves how are our users providing value to other  
5 users on the platform?

6 And how could we create a marketplace around  
7 that? Facilitated with a cryptocurrency. So, you know,  
8 if I have to pay to read your tweets, like, nobody is  
9 going to do that. It will kill the platform.

10 But what are things that people would pay for?  
11 You know, you're talking about fans earlier, if I'm like  
12 a great tweeter, could I create a fan club?

13 I haven't thought about Twitter, but, you know,  
14 we're talking about it now. Could I create a fan club  
15 where, you know, maybe I let the first thousand in for  
16 free. I build up a reputation in the system of having  
17 the best fan club.

18 But now the fan club is getting pretty full and  
19 I ratchet up the price to get in. So now as a user, I'm  
20 paying to join another tweeter's fan club, and then  
21 they're turning around, making all this cryptocurrency,  
22 and they're saying, oh, whose fan club can I join?

23 And so that's what you're doing. You're  
24 building an economy around some way that consumers can  
25 provide value to other consumers where there's sort of



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1 like, built-in scarcity.

2 You know, I can only have so many people in my  
3 fan club. I'd love to give it to you all for free, but I  
4 can't. So who will pay me the most, and let's facilitate  
5 that with a cryptocurrency.

6 The really cool thing about this is now as a  
7 digital service provider as Twitter, your number one  
8 metric is how well can you get consumers compensated,  
9 okay?

10 Before it was how well can we extract value  
11 from consumers. Now, it's how well can we give value to  
12 consumers.

13 And the more you do that, the more valuable the  
14 cryptocurrency will be.

15 And the second cool thing is that person giving  
16 value to the ecosystem and getting compensated for it, no  
17 matter how much value they provide and no matter what  
18 country they live in, we can get them that value.

19 Right, if you think about it if we were trying  
20 to do this with U.S. dollars, where okay, this person  
21 provided .0001 U.S. dollars' worth of value, and they're  
22 in India. Let's mail them a check, right? Could never  
23 do it.

24 But with cryptocurrency no matter where you  
25 live, no matter how much value, you provide, we can get

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1 I, Mike McCormick, hereby certify that the foregoing  
2 transcript is a complete, true and accurate transcription  
3 of all matters contained on the recorded proceedings in  
4 the matter of:  
5

6 KIK INTERACTIVE.  
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1 you that compensation. So I think that's really cool,  
2 too.

3 MICHAEL: So, guys, checking on in time, it's  
4 8:30. This is obviously very engaging and everybody  
5 wants to keep asking questions, but we have to be out by  
6 8:45 I understand, right, Jesse?

7 So maybe we break --

8 MR. LIVINGSTON: The landlord.

9 MR. WALDON: Yeah, I think we can break and we  
10 can continue the discussion over whatever beer and pizza  
11 is left over there. But thanks again, for everyone for  
12 coming and Michael for hosting this recurring event.

13 MR. LIVINGSTON: Thank you.

14 MICHAEL: Thanks, Ted.

15 (End of audio.)

16 \* \* \* \* \*